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Real Estate Economists, Appraisers and Counselors

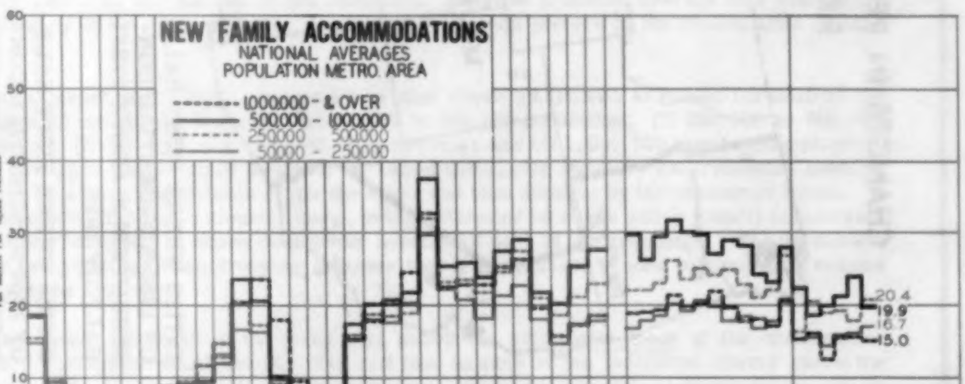
WHAT ARE MIXED TENDENCIES?

THE business world seems to be jealous of science and scientific language. A recent Government analysis of the current business situation began as follows: "Business activity in September was maintained at mid-summer levels, with mixed tendencies within the high overall aggregate continuing to prevail among particular lines and industries." Business seems to be going up, down, and sideways. How is business, anyway?

Residential construction, however, has only been down during the first six months of this year compared with the first six months of last year. As always, a few metropolitan areas are exceptions to the general trend, but during this period only 28 of the 177 areas were building more new family accommodations than last year. Eleven areas built the same number as last year, while 138 built fewer new family accommodations than last year.

There is no mixed-up tendency between metropolitan areas of different sizes. The table on page 514 shows the average number of new family accommodations per 10,000 families in metropolitan areas of different sizes. These are averages of the monthly figures charted below. Although residential build-

(cont. on page 514)



CHANGES IN REPORTED VOLUME OF RESIDENTIAL CONSTRUCTION FIRST HALF OF 1960 COMPARED WITH FIRST HALF OF 1959

- ● CITIES WHERE FIRST HALF OF 1960 RESIDENTIAL CONSTRUCTION IS ABOVE FIRST HALF OF 1959.
- ● CITIES WHERE FIRST HALF OF 1960 RESIDENTIAL CONSTRUCTION IS BELOW FIRST HALF OF 1959.
- o NO CHANGE IN FIRST HALF OF 1960 FROM FIRST HALF OF 1959.

EXPLANATION OF CHARTS

RESIDENTIAL building in all metropolitan areas of the United States as defined by the 1950 Census is charted on the following pages. The 168 areas include all areas in which the central city had a 1950 population of more than 50,000.

In each city all suburbs, incorporated and unincorporated areas, have been contacted and every effort has been made to make this report as complete as possible. In most cities it has been possible to include practically all of the suburbs within the metropolitan area. For example, the New York City and Northeastern New Jersey area figures include the building in 326 suburban communities; the Chicago area includes building in 174 suburban communities; Philadelphia, 198; Detroit, 110; Los Angeles, 61; and Cleveland, 65. In all, more than 2,300 communities are represented in these charts.

On the charts the figures are expressed as the number of new family units started per 10,000 families in each metropolitan area as indicated by building permits. In nonpermit-issuing areas, we requested the tax clerk to report to us the number of dwelling units added to the tax roll each month. In this computation, a single-family dwelling counts 1, a 2-family dwelling counts 2, and a 24-family apartment counts 24. All public housing and war housing projects have been included, along with buildings that were privately built and financed.

The blue italicized numerals on each chart give the number of new family accommodations built in the last 3 months for which figures are available. These are actual figures and are not adjusted for the number of families. The red italicized numerals give the corresponding figures for the corresponding period of a year ago.

It should be noticed on the individual charts that separate averages (medians) have been used for four groupings of metropolitan areas. The average number of new family accommodations built per month per 10,000 families is shown from 1929 to the present for metropolitan areas having from 50,000 to 250,000 people (the solid red line); for areas having from 250,000 to 500,000 people (the beaded red line); for areas having from 500,000 to 1,000,000 people (the dash-dot line); and for those areas having a population of over 1,000,000 (the dashed red line). Ninety-one areas fall into the first category; 44 into the second; 19 into the third; and 14 into the fourth.

On each area chart is shown in red the national average for areas in its grouping in contrast to the blue line, which shows the figures for the specific area. The averages used on the area charts are medians. A median average is found by arranging the data in order of size and selecting the amount at the midpoint. Because a median average thus eliminates the influence of the two extremes, it gives a very good picture of the typical area in each group.

On the chart on the front page we have also shown national averages for each of the groupings of metropolitan areas: (1) 50,000 to 250,000 population; (2) 250,000 to 500,000 population; (3) 500,000 to 1,000,000 population; and (4) 1,000,000 population and over. These averages should more properly be called arithmetic means. An arithmetic mean is obtained by adding the amounts of all the items and then dividing by the number of items. It will be noticed that the arithmetic mean, being influenced by areas with a greatly accelerated rate of new building, is above the median average of each of the groupings. The arithmetic means are given for each grouping in order that a comparison of new building on a volume basis may be made.

We repeat, the chart on the front page shows the arithmetic mean of the construction rate in the different-sized areas. The red line on each of the individual charts shows the median for the group in which each area belongs, making it possible to compare the rate in one area (blue line) with the average rate of all other areas of comparable size (red line).

NEW FAMILY ACCOMMODATIONS PER 10,000 FAMILIES

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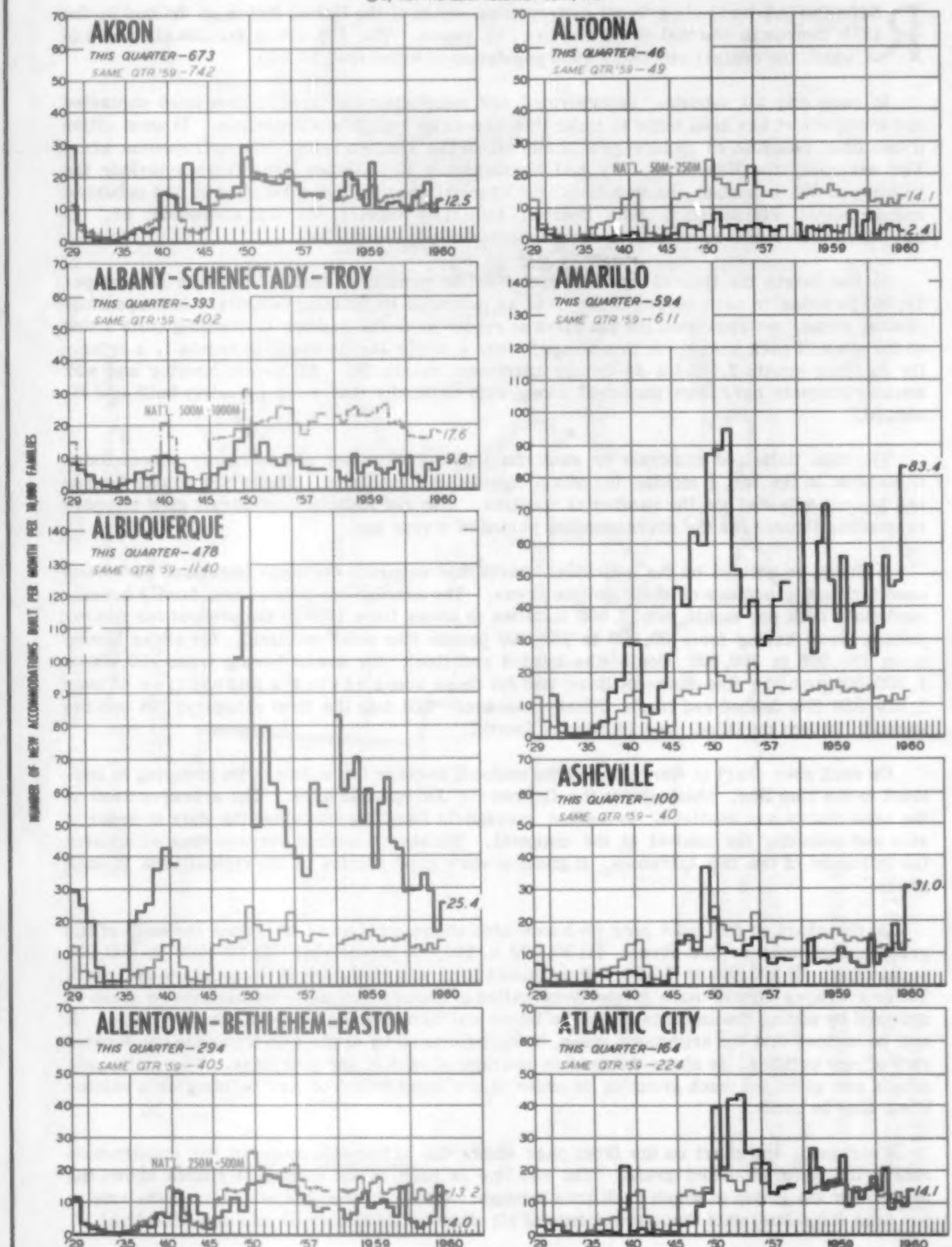

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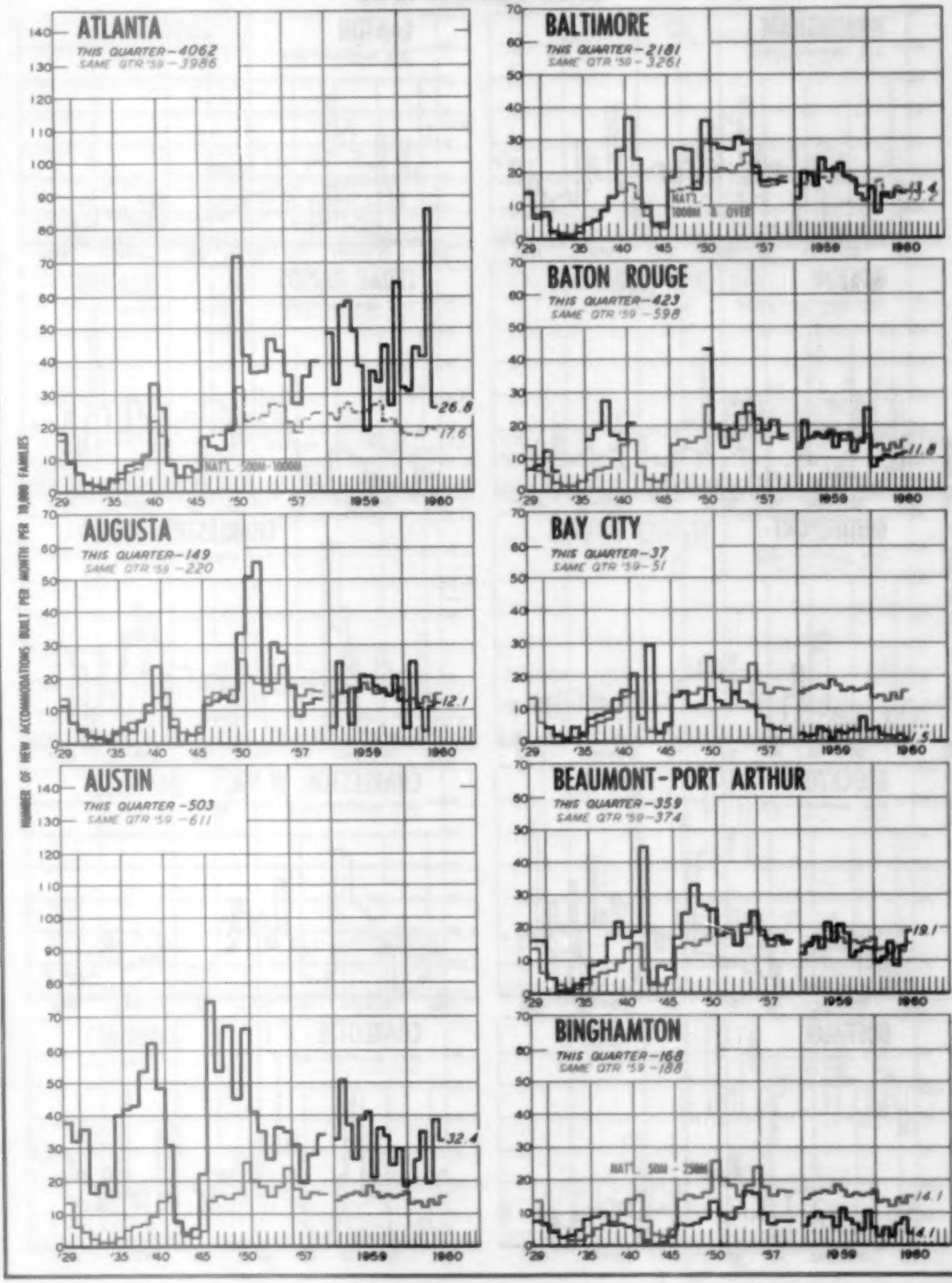

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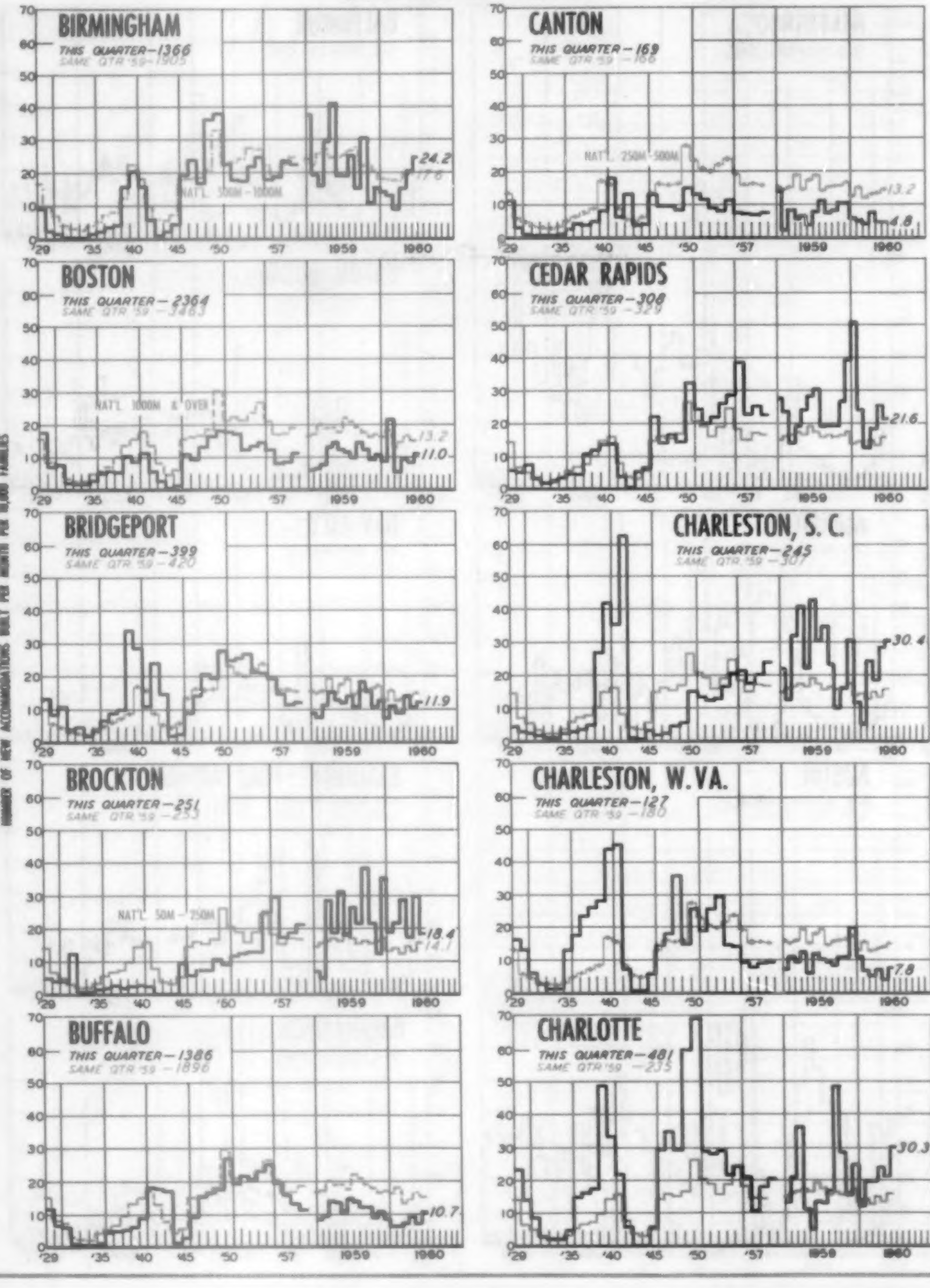

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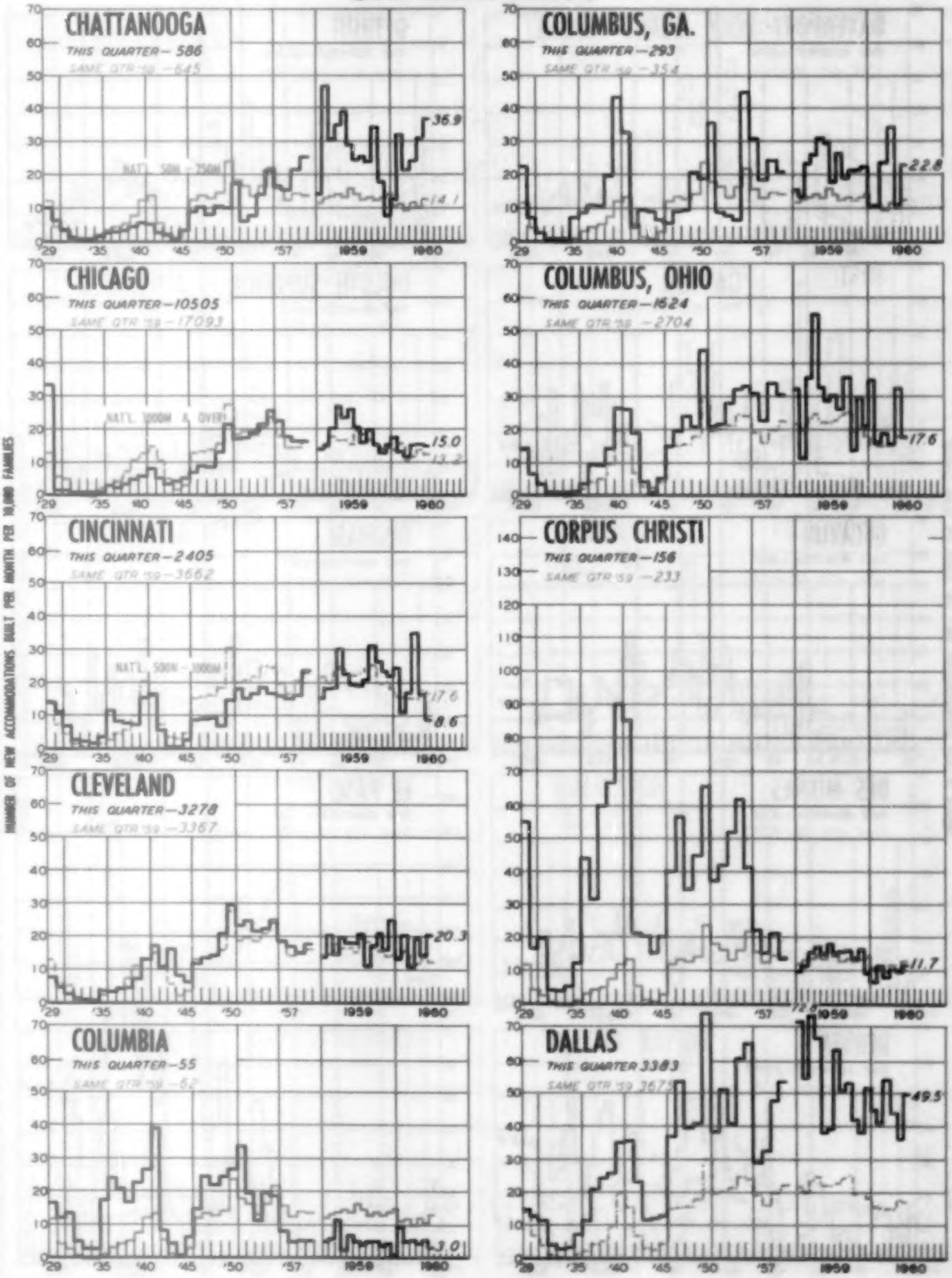

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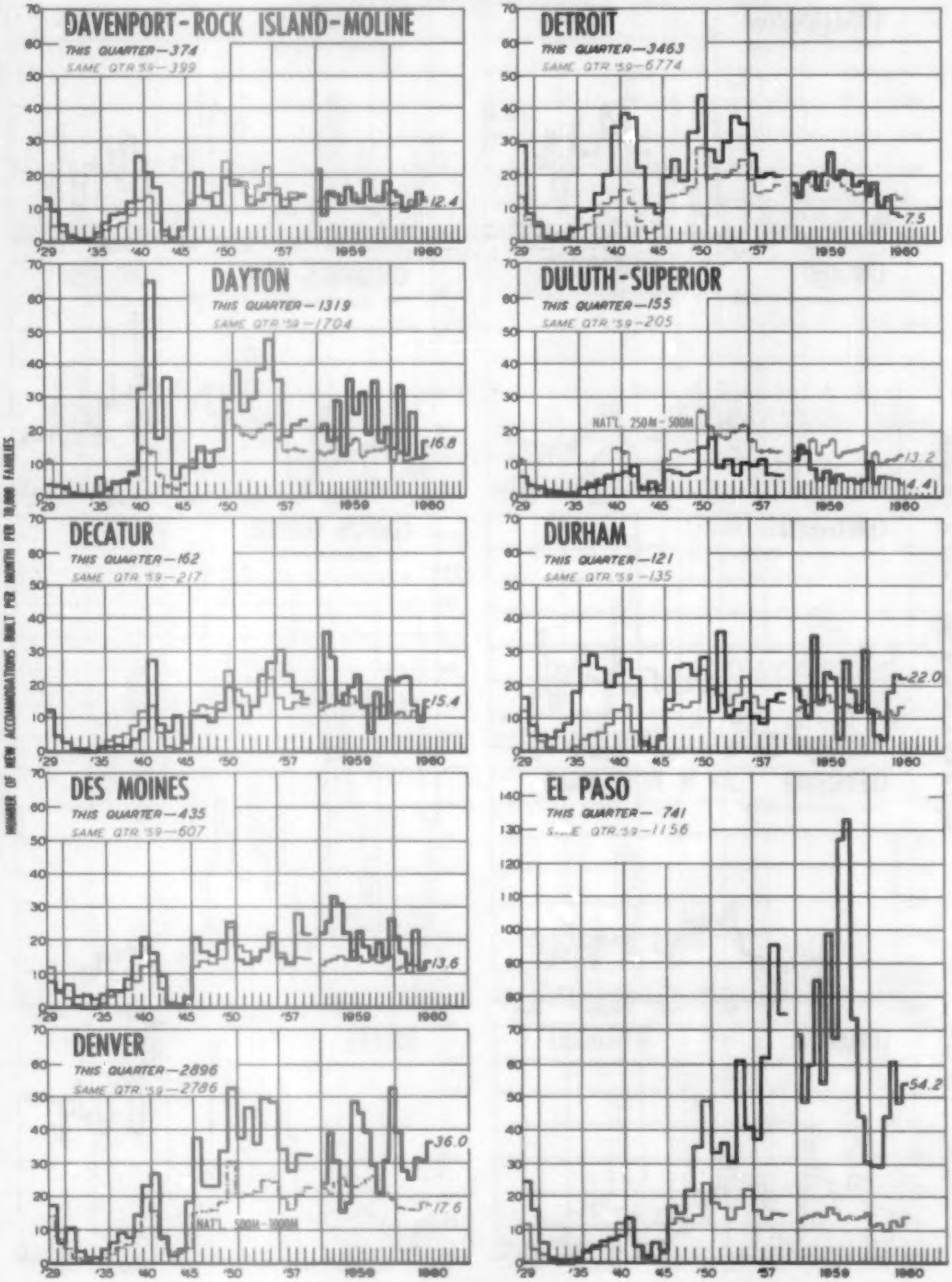

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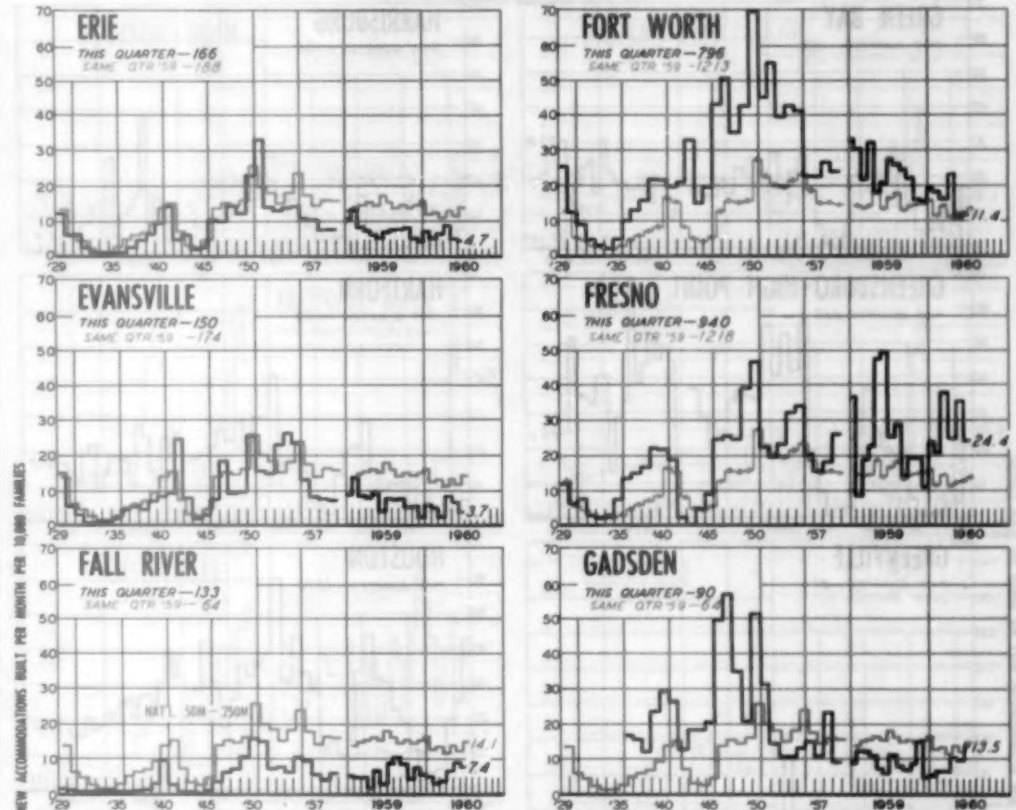

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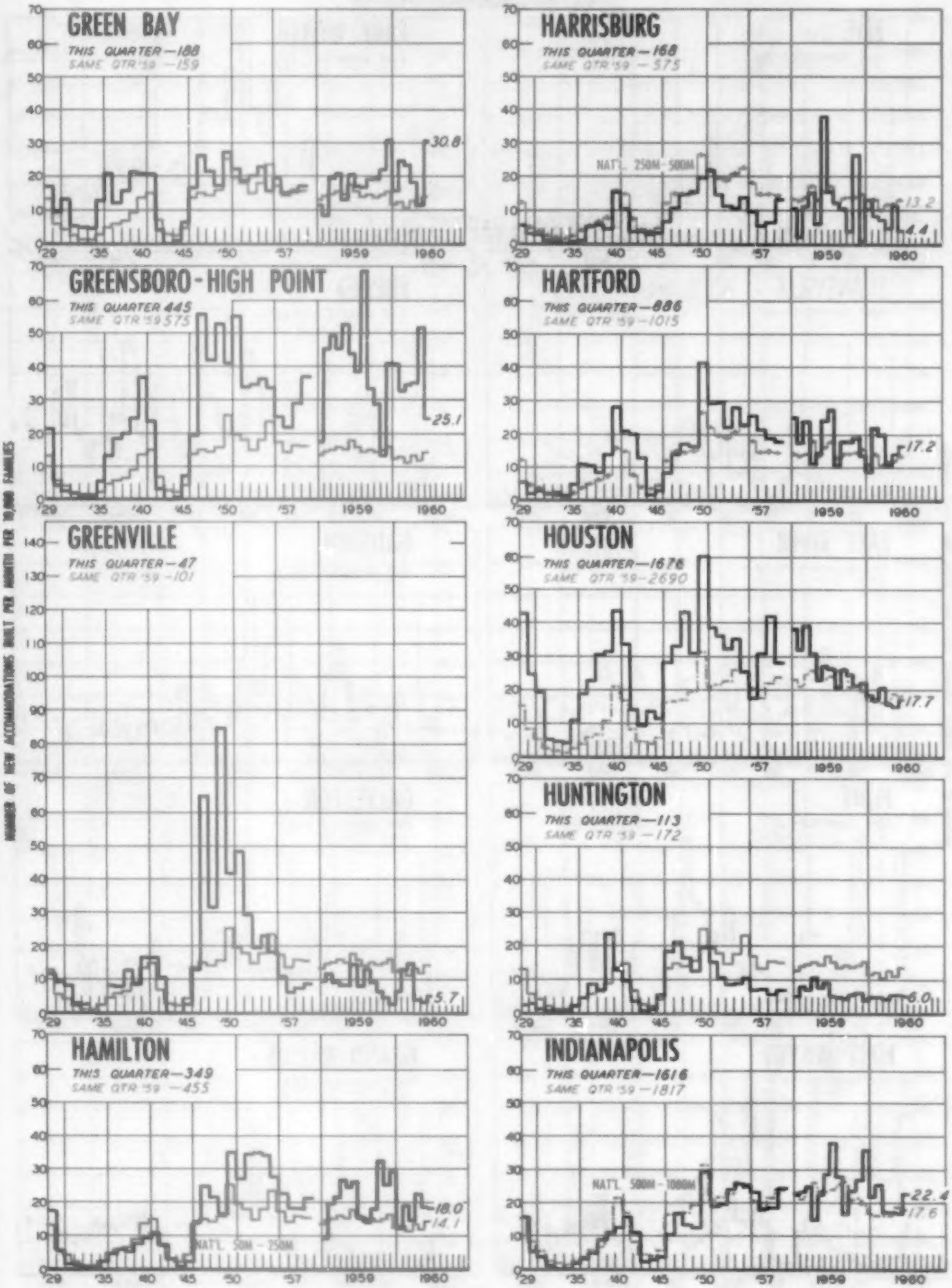

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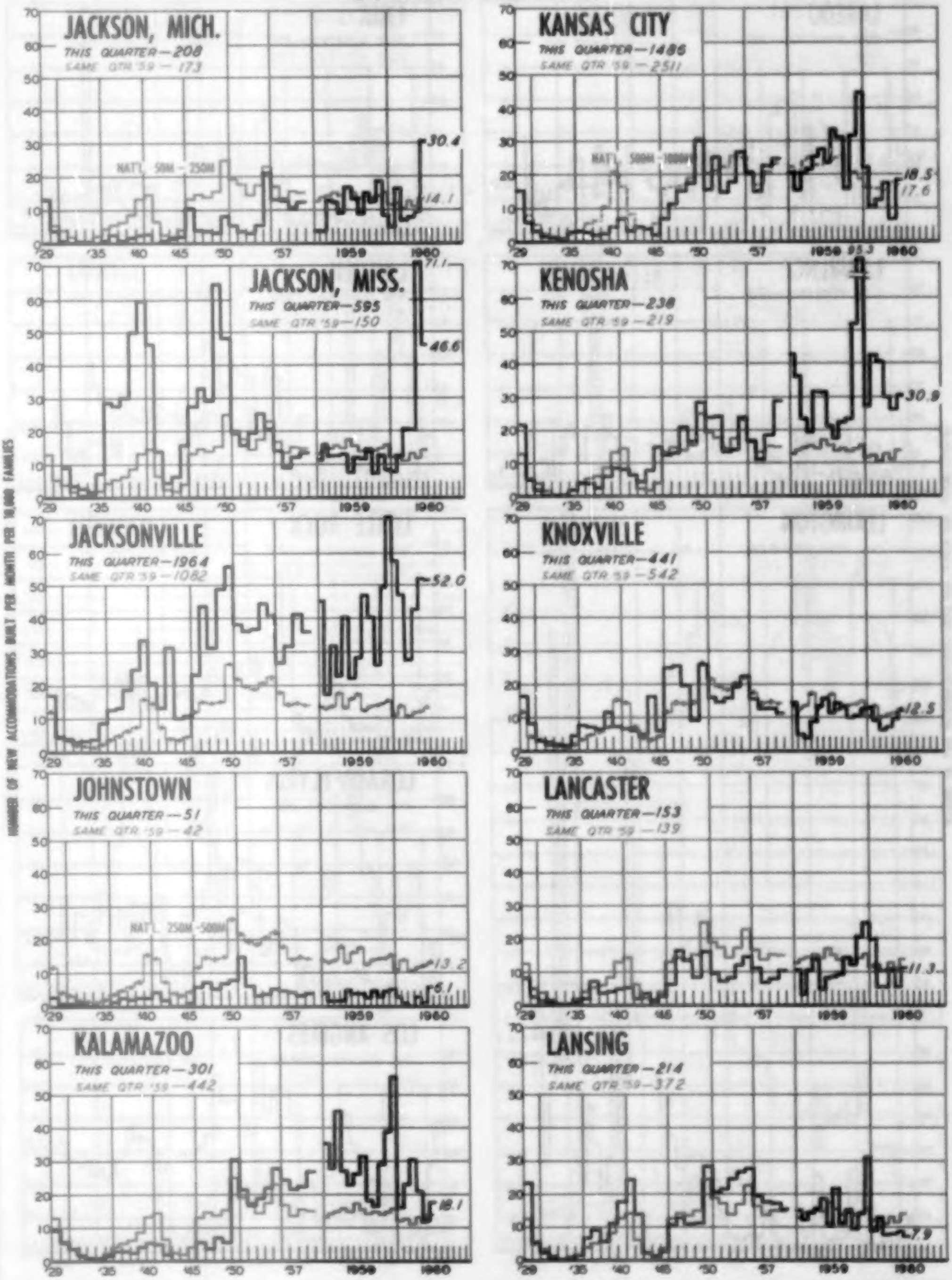

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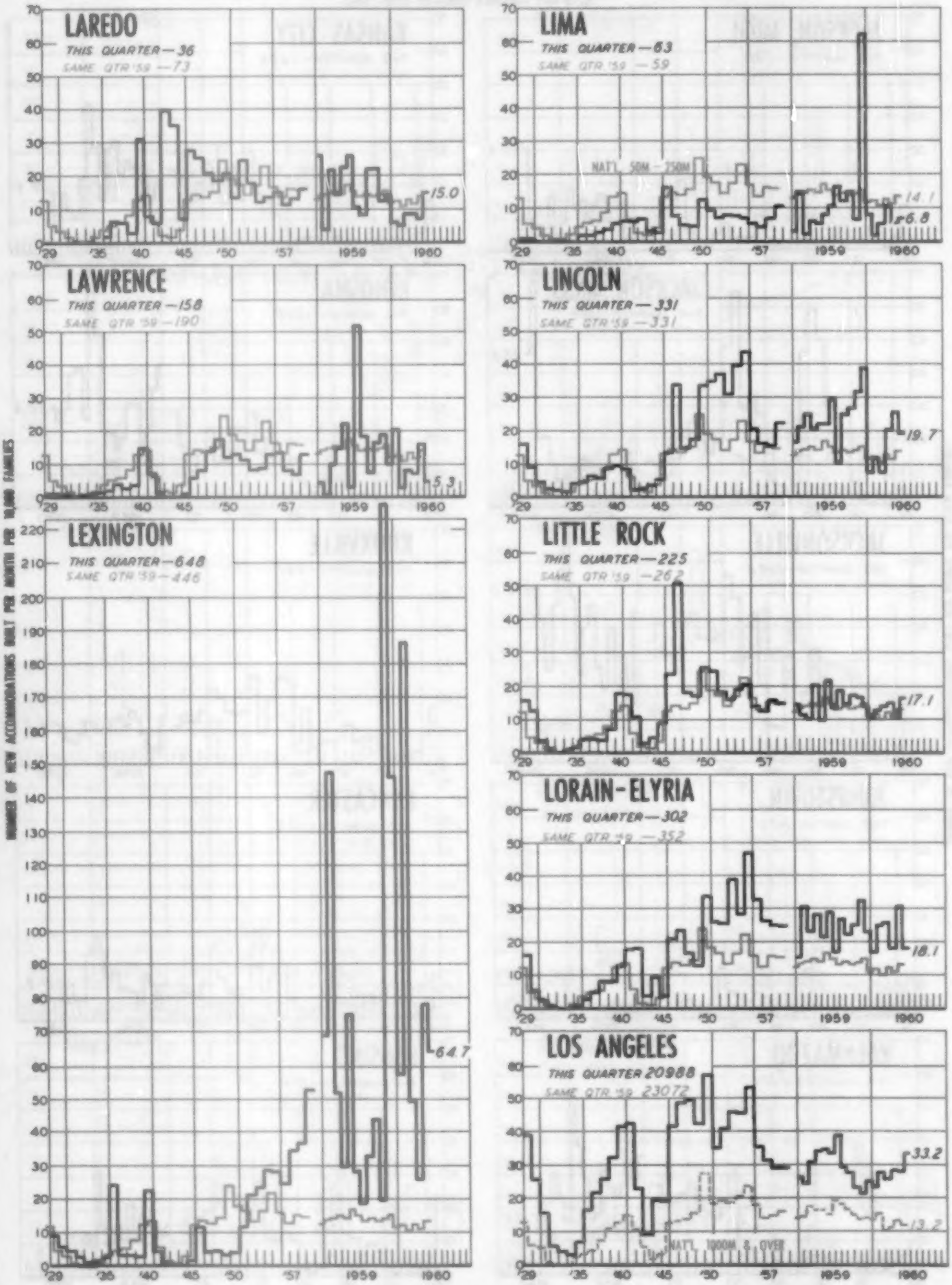

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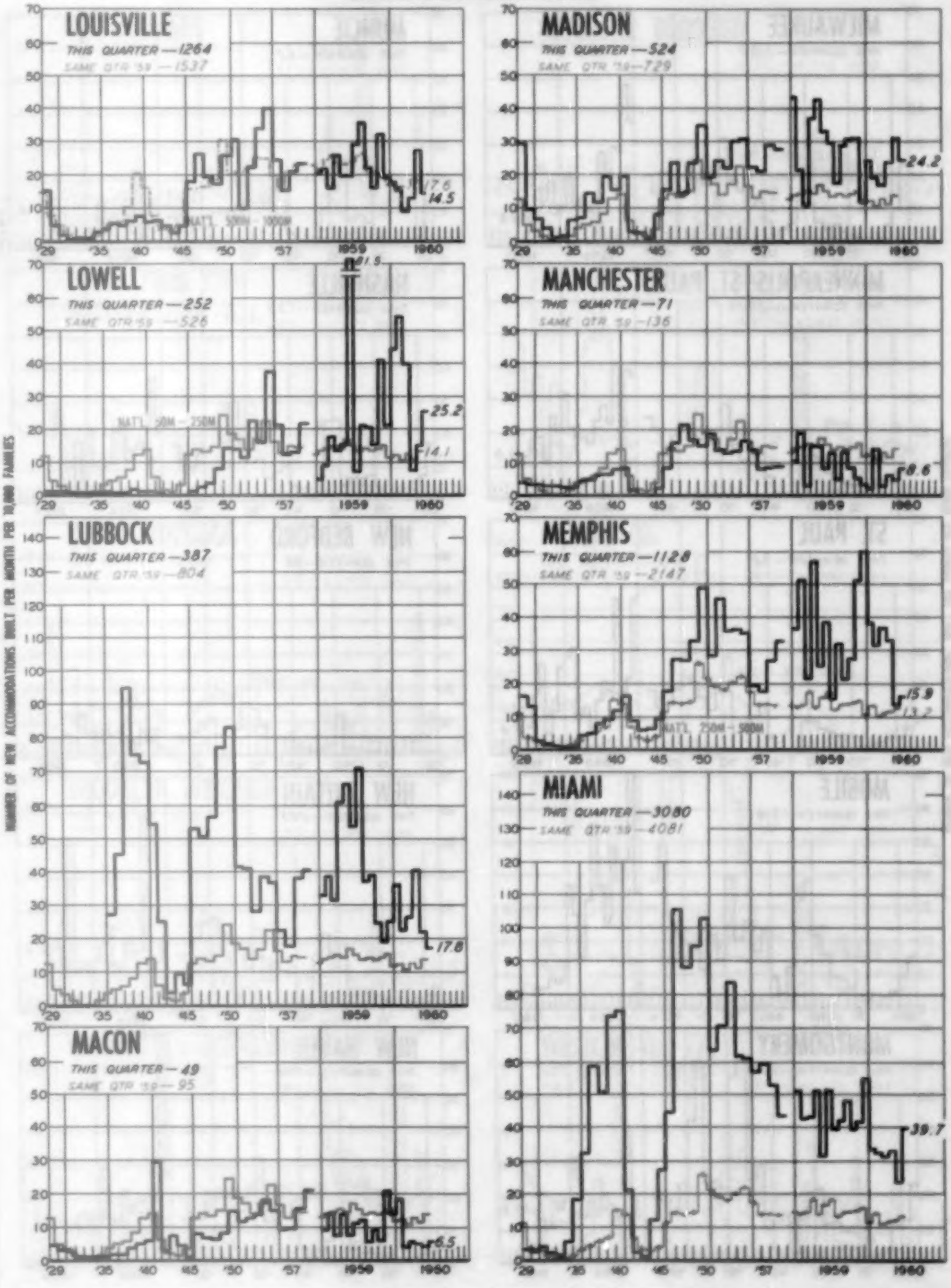

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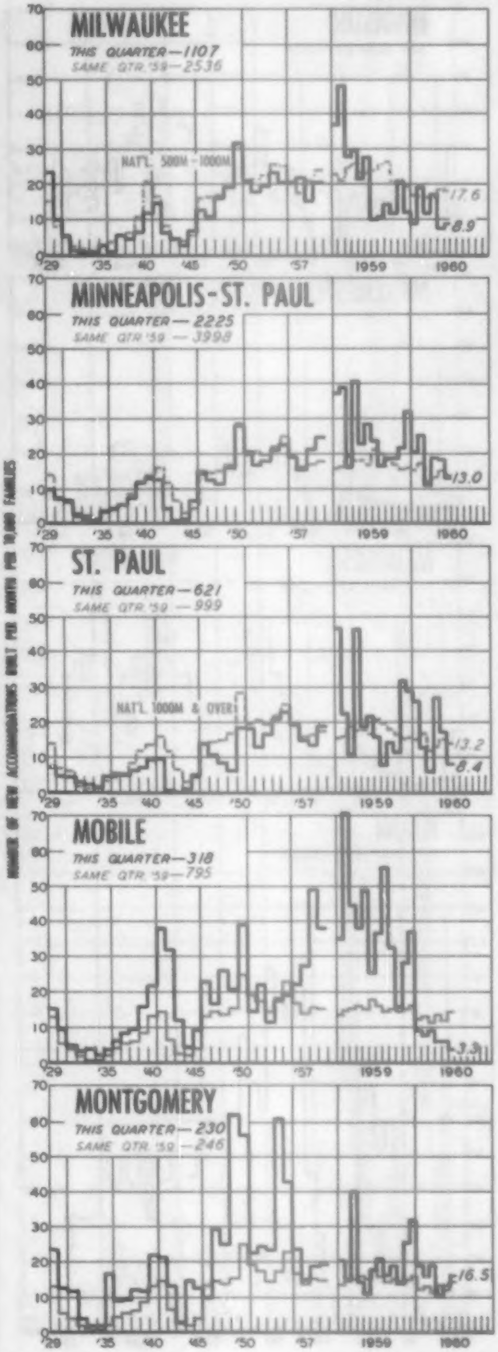

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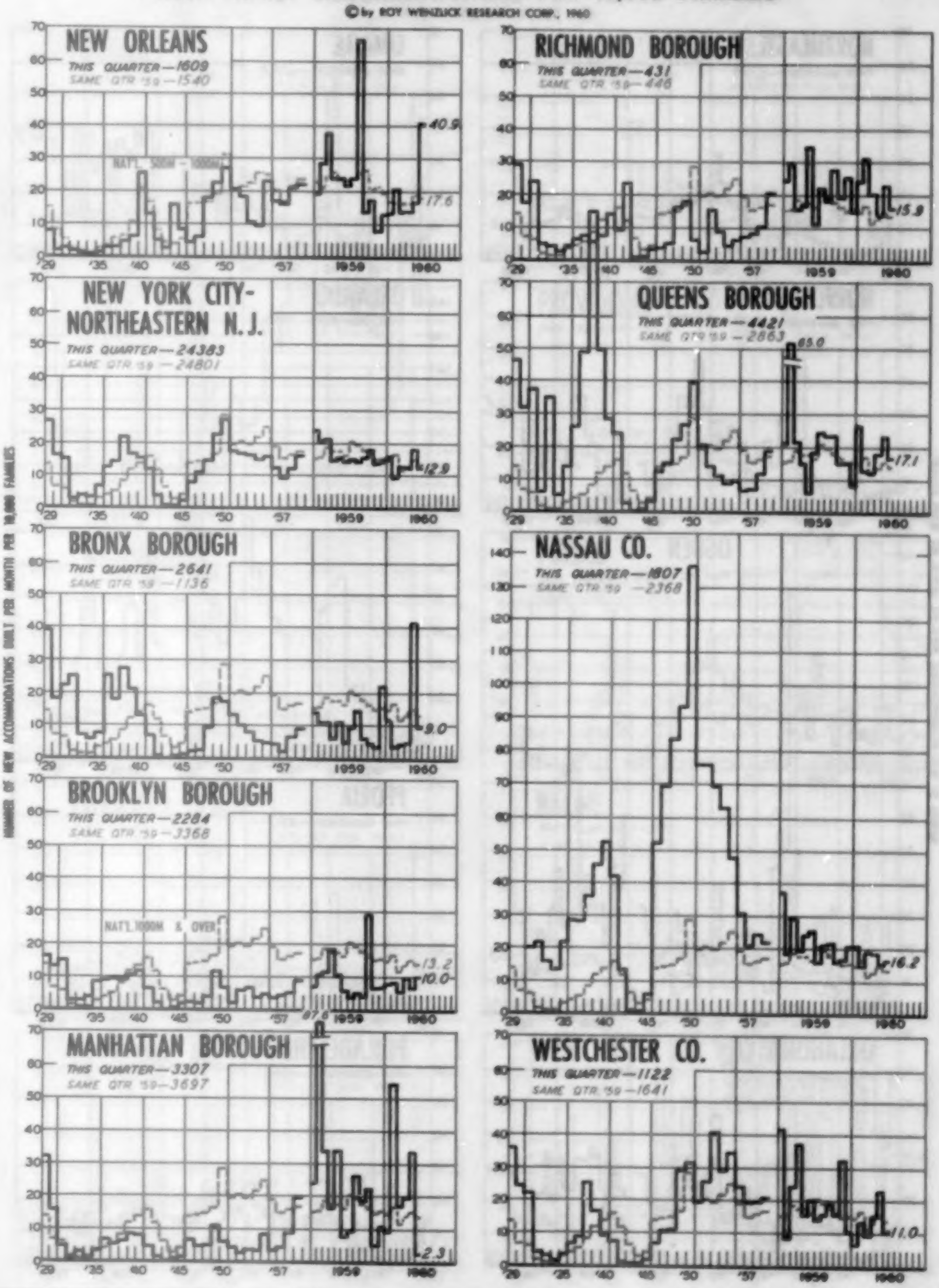

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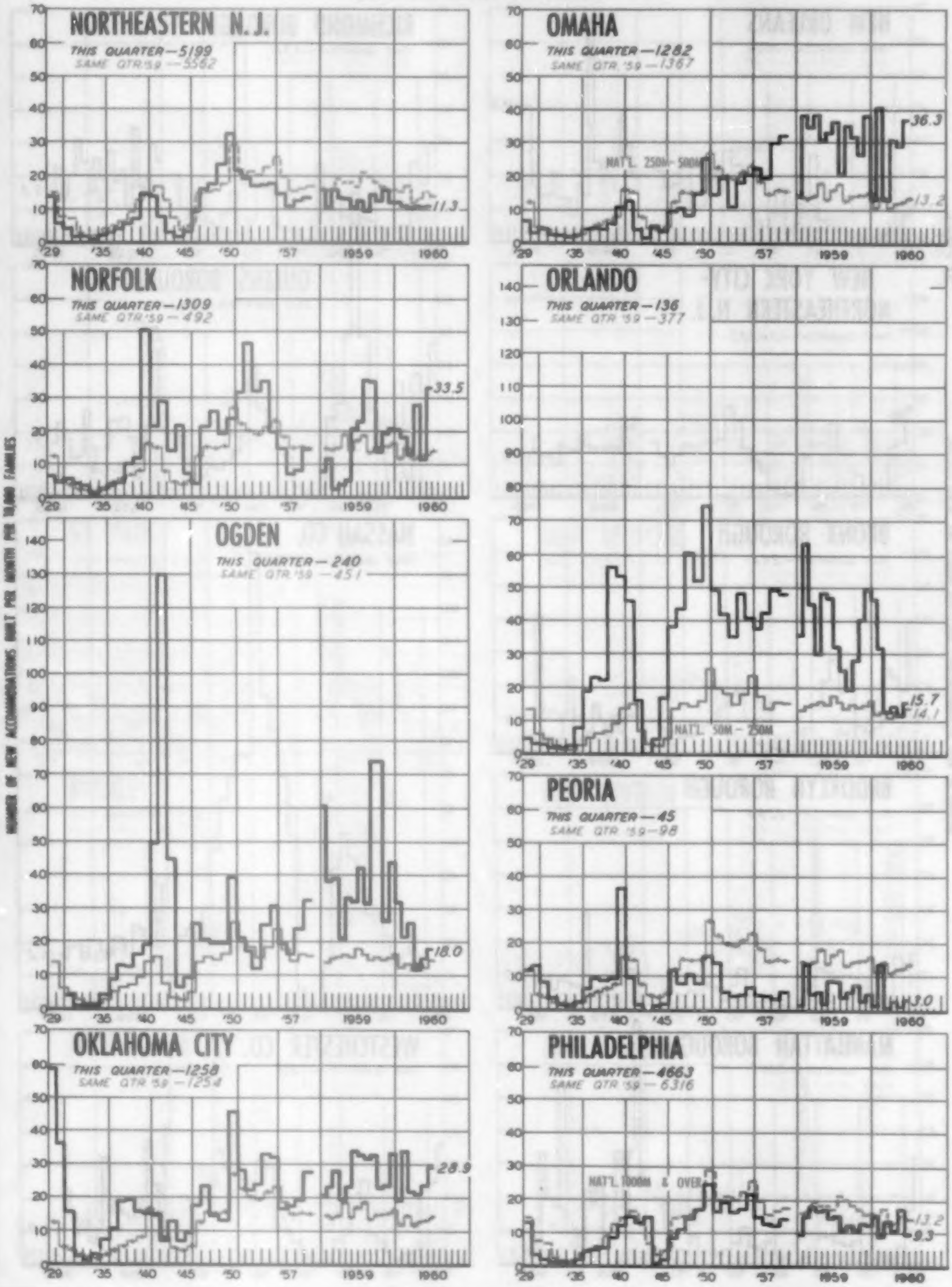

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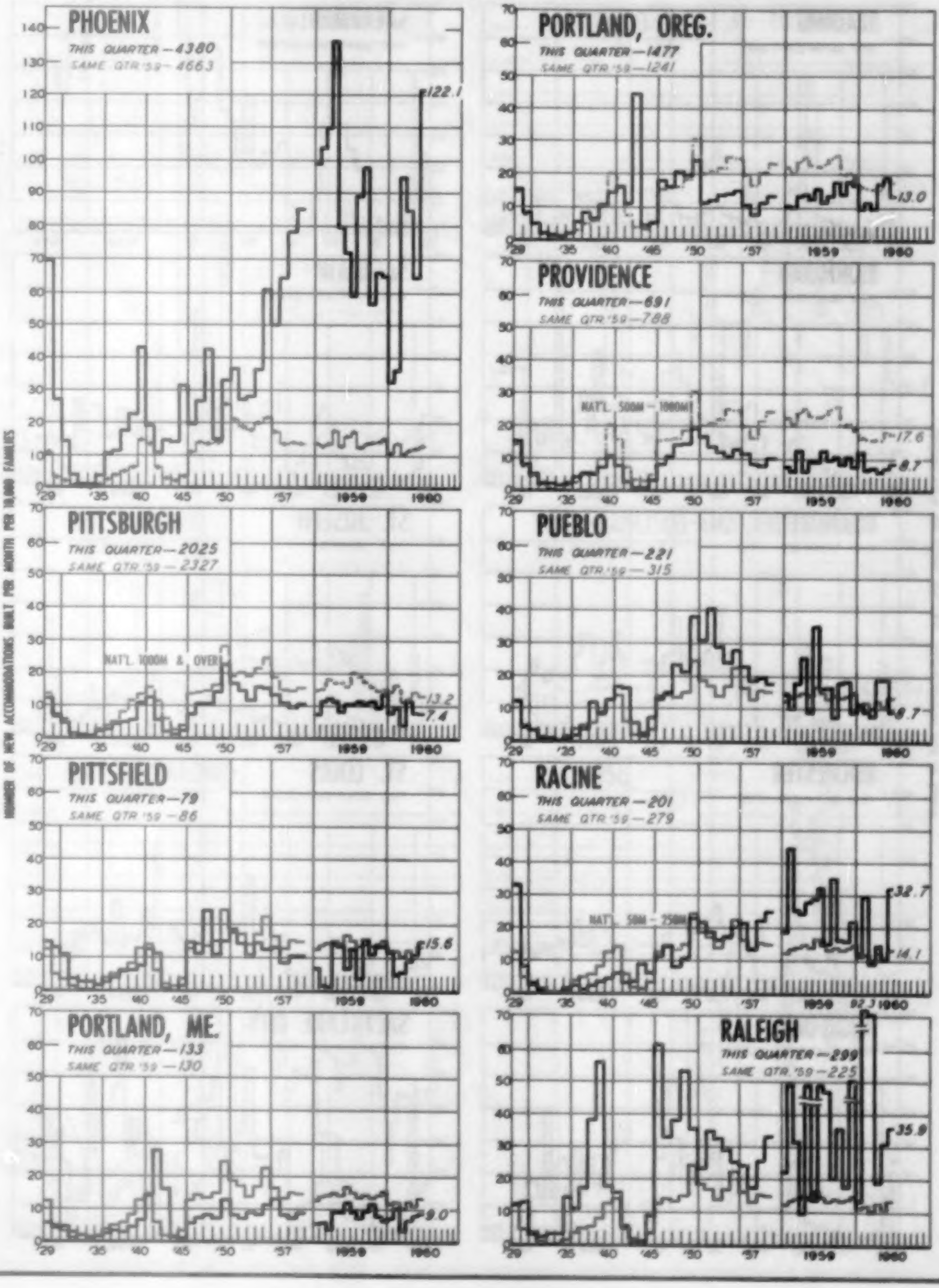

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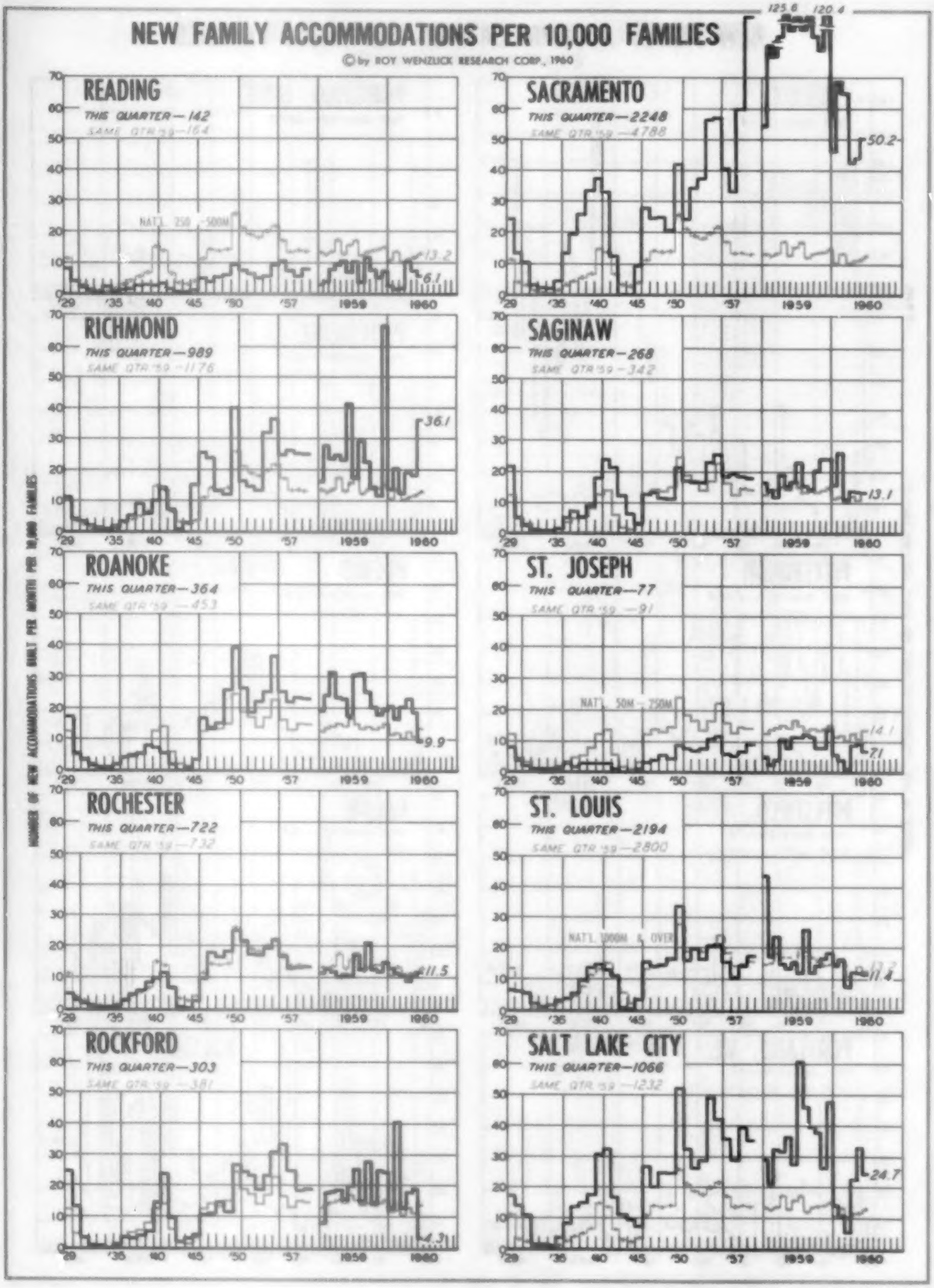

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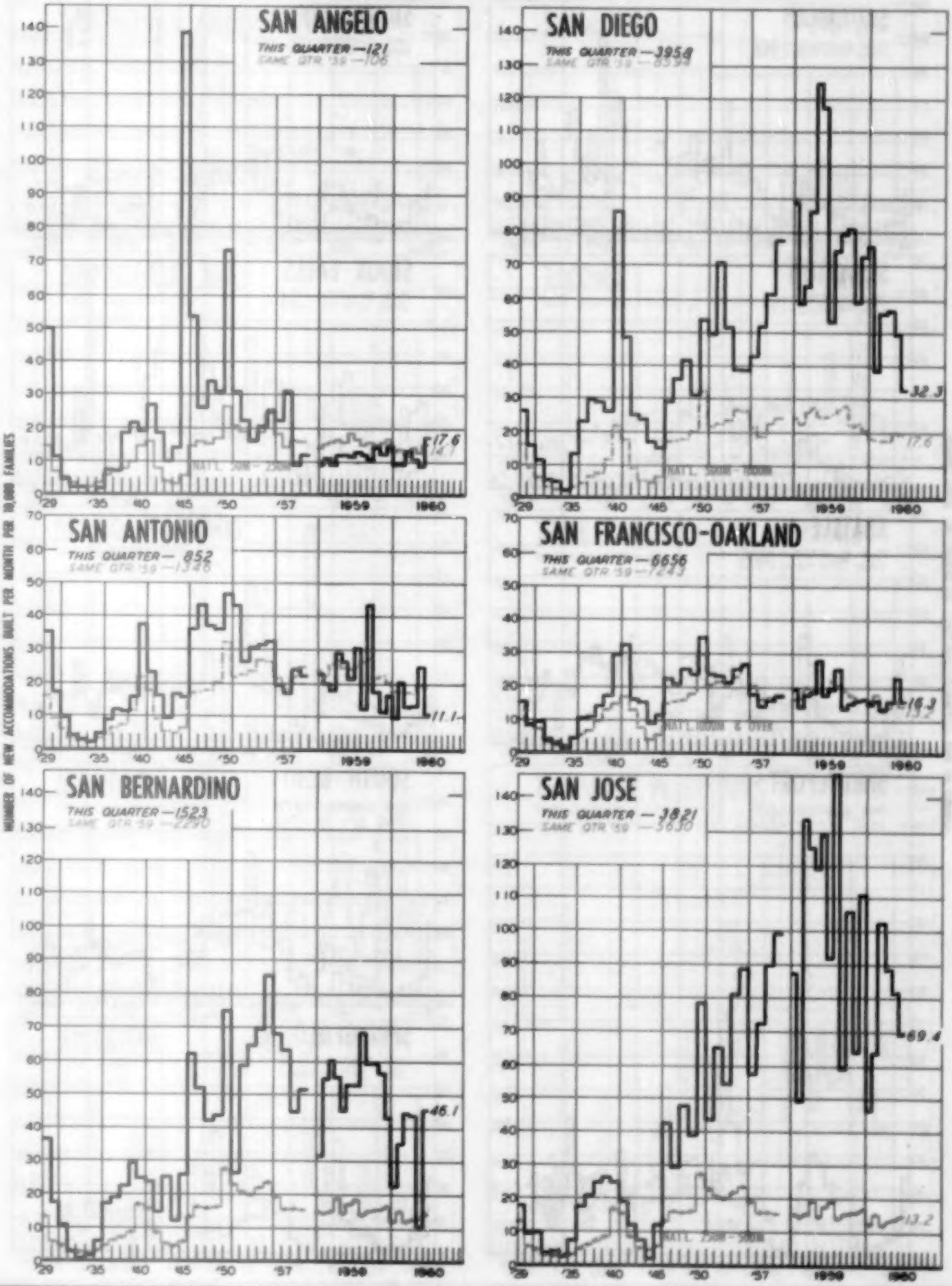

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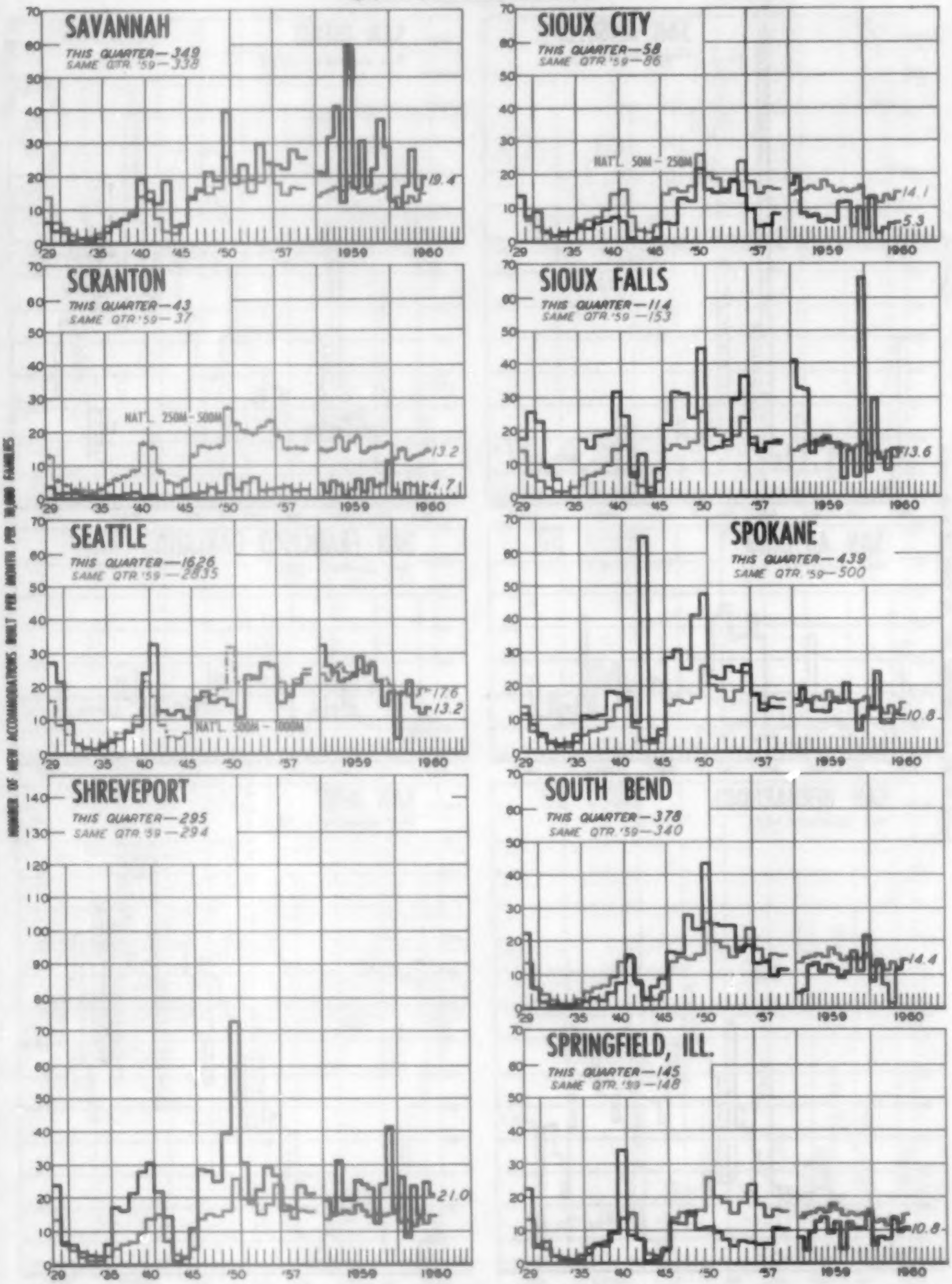

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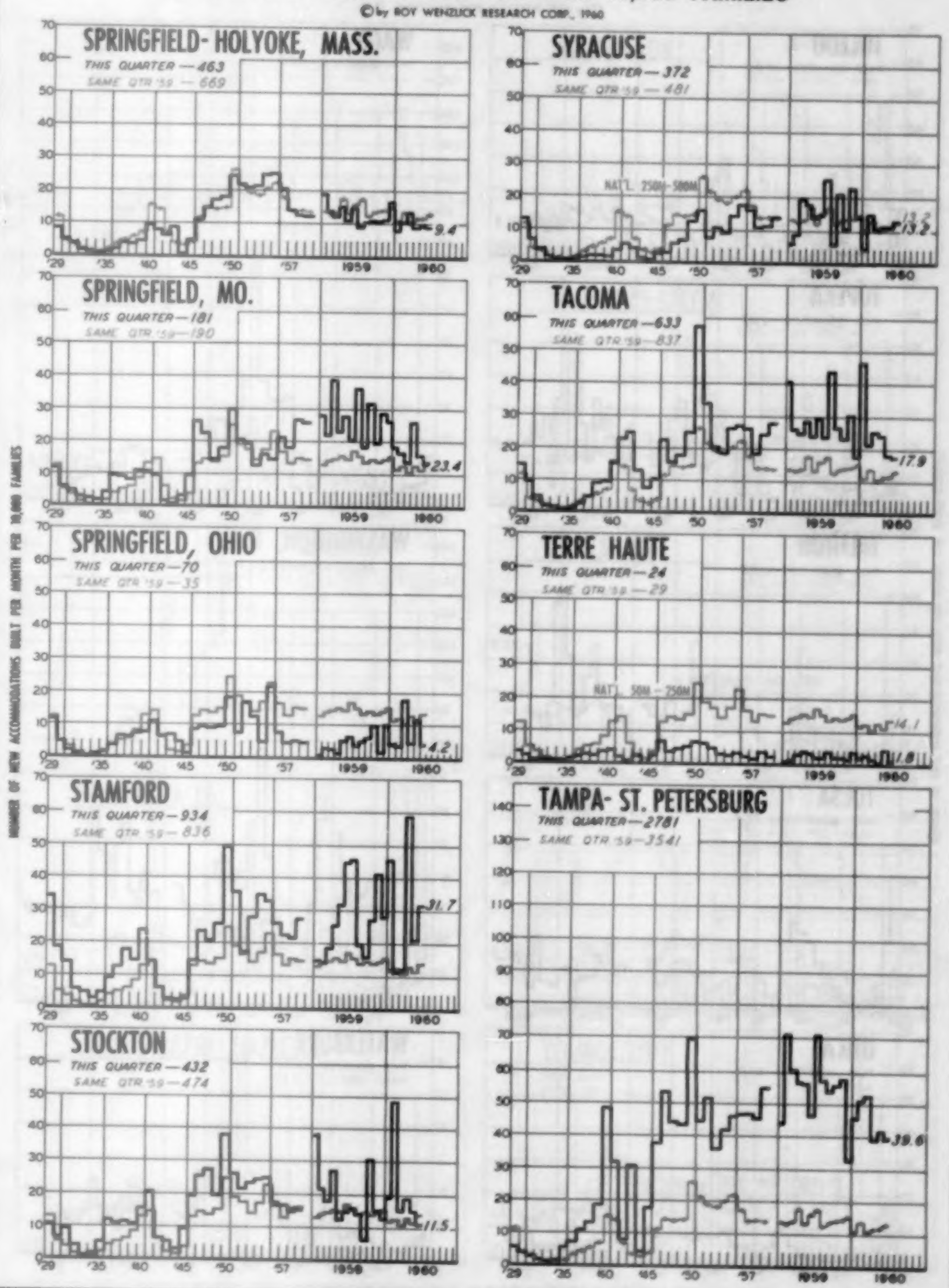

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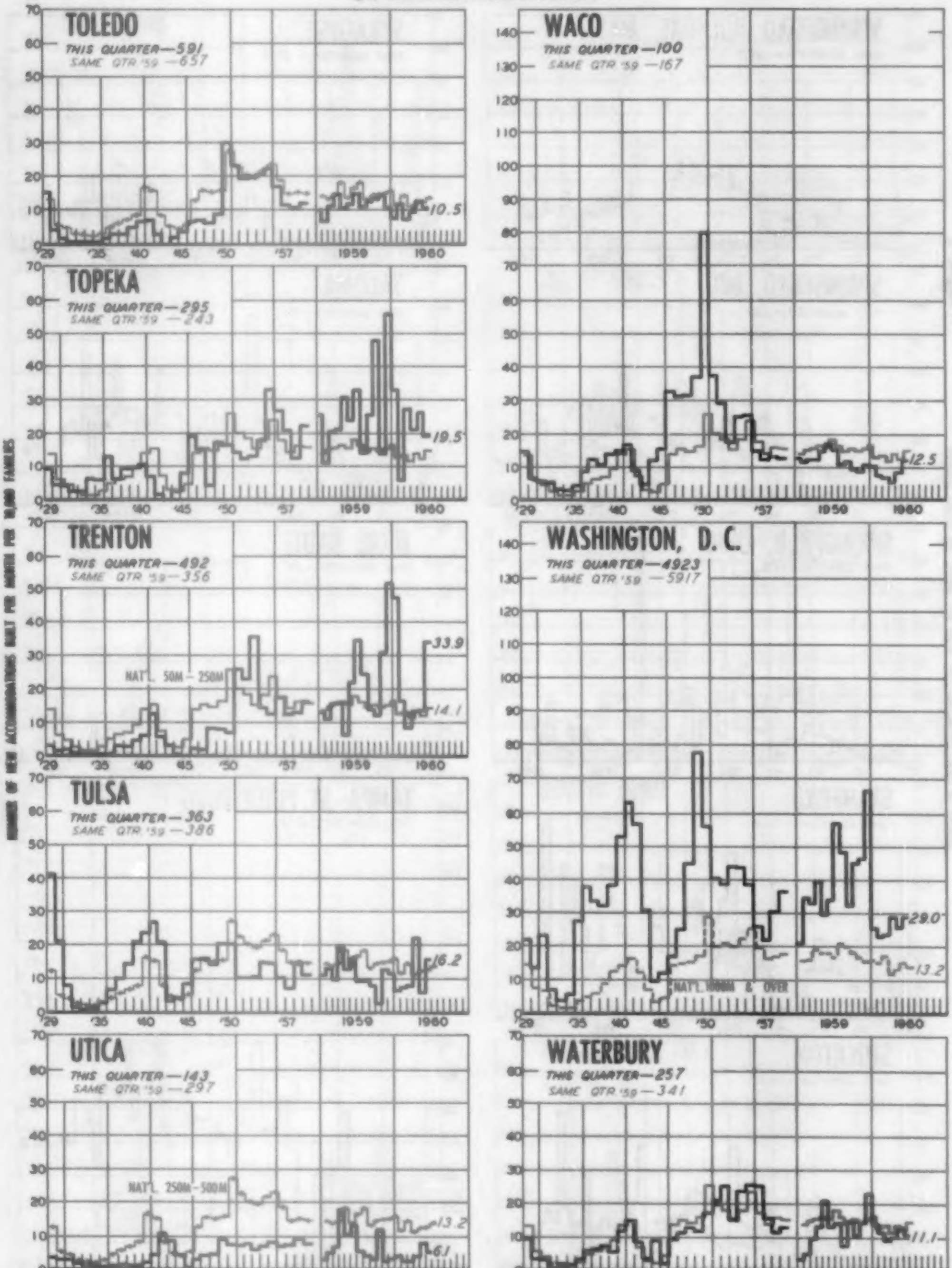

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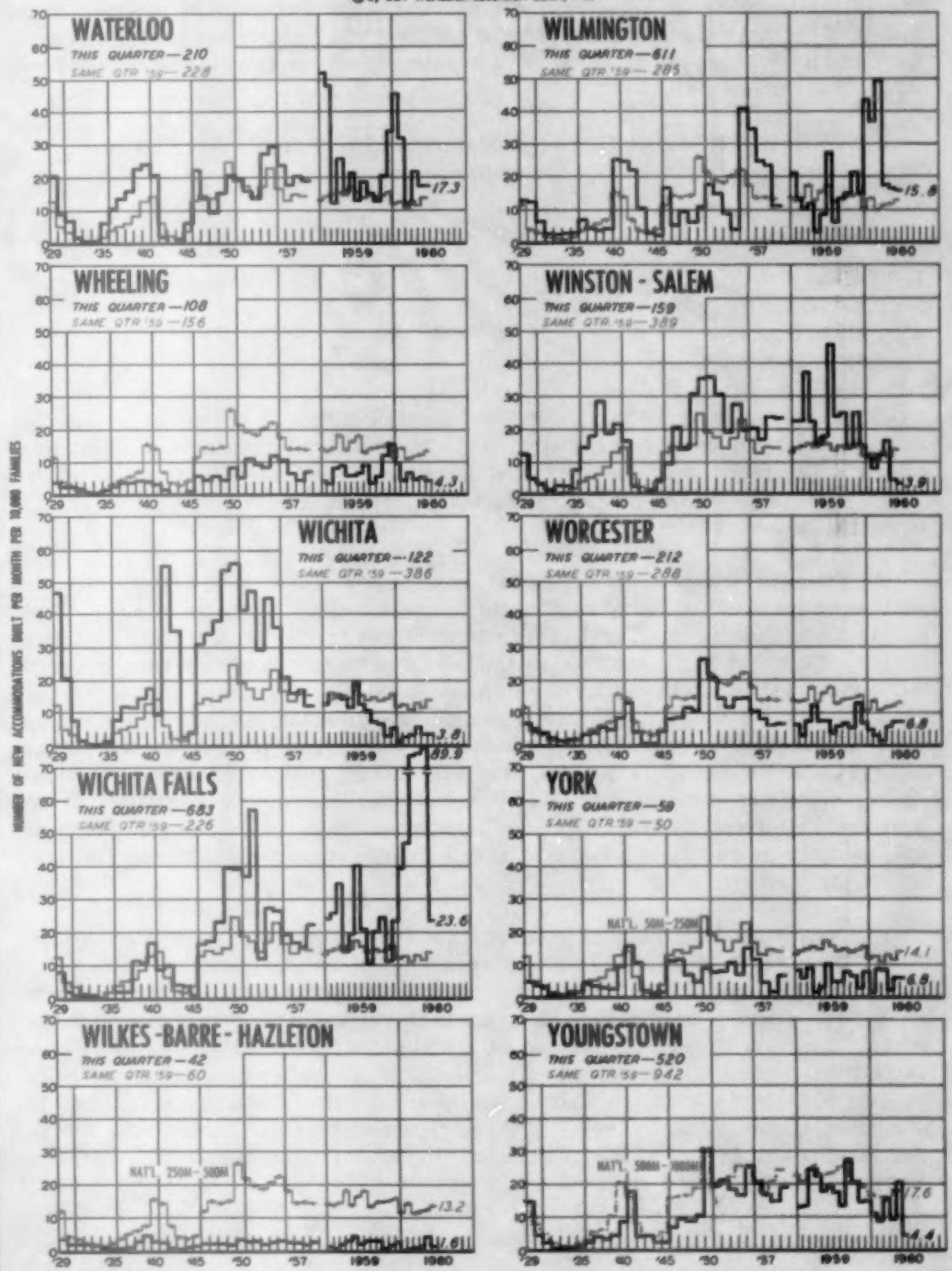

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ing is taking place at a faster rate in areas with a population of 500,000 to 1,000,000, that rate of building fell by the greatest percentage in these areas. The smallest decrease in the rate of construction was in areas with less than 250,000 people.

AVERAGE NEW FAMILY ACCOMMODATIONS PER 10,000 FAMILIES
(First 6 months)

Metropolitan Area Size (Population)	1959	1960	Percentage Change
1,000,000 & over	19.7	15.1	-23
500,000 to 1,000,000	29.4	21.0	-29
250,000 to 500,000	23.6	18.8	-20
Less than 250,000	18.7	15.5	-17

The past is past. What about the future? Although the vacancy rate on rental units is discouragingly high, real estate activity continues to climb upwards. The number of voluntary deeds recorded per 10,000 families is now only 4 percent below the long-term normal. This is almost the same level that it was in January 1960.

As we have shown many times before, the current slide in construction is related to the decline in the number of people reaching 35 years of age. This age is important since it still represents the average age when persons buy homes. This trend will continue to 1969. On the other hand, the baby boom of the forties shows up in the first half of the sixties as a dramatic rise in the number of people reaching 20 years of age. As these people marry and set up their first homes -- probably apartments -- the number of rental units vacant and available for rent will decline, and will encourage apartment construction. As this same group reaches 25 to 30 years of age, many of them will be buying homes. This trend will offset the declining trend of those reaching 35 years of age, and should result in a boom in single-family construction during the last half of the sixties.

One part of the residential construction market has not been investigated thoroughly. That is remodeling and repairing of existing homes. Since the houses built during the boom of 1950 are now ten years old, they are a ready market for building materials, and firms in the repairing and remodeling business. The Wall Street Journal recently stated that for every $3 spent on new house construction this year, $2 will be spent on alterations and repairs, contrasting with the $1 spent on fixing used houses for every $10 that was spent on new home construction in 1950. If these figures correctly portray the situation, the brightest part of the residential construction outlook for the next few years is remodeling and repairs.